



## **Financial Reserves Policy**

### ***Introduction***

This policy aims to:

- give our funders confidence in our stewardship and active financial management
- demonstrate to beneficiaries, funders and the public our resilience and capacity to manage unforeseen financial difficulties
- give voluntary funders, such as grant-makers, an understanding of why funding is needed to undertake a particular project or activity
- manage the risk to our reputation from holding substantial unspent funds at the year-end without explanation.

For trustees of Steel City Choristers, this policy will:

- assist in strategic planning, for example considering how new projects or activities will be funded and when additional funds need to be sought from grant giving bodies
- inform the budget process, and decisions on whether reserves need to be drawn down or built up in order to balance the budget
- inform the budget and risk management process by identifying any uncertainty in future income streams.

### ***The nature of our costs***

Steel City Choristers operates with a relatively lean operating model in which:

- a significant proportion of the leadership and management of the charity is provided pro-bono
- we enjoy the support of a range of volunteers including our chaperones, our changing voices lead, and our semi-professional adult singers
- we partner with communities across the city for our performances so that we often do not need to pay for venue hire.

Our core costs relate predominantly to the fees we pay to the professional musicians who are key to the high quality of music education and performances we deliver - including our Director of Music and singing teachers. Since none are our employees, we do not have any on costs, and simply pay for their hourly services. These costs are distributed relatively evenly across the year

and are relatively stable and predictable. Other core costs include various forms of training and development activities and other essentials, including insurance.

The cost of activities relating to projects for which we have received specific restricted grant funds are accounted for separately (for example filming costs). However, it is possible that a proportion of core activity (e.g. rehearsal time) is dedicated to delivering a project, and hence funded from restricted funds.

### ***Our sources of income***

Steel City Choristers recruits openly regardless of children's background or prior singing experience. We are absolutely committed to the principles of children singing with Steel City Choristers free of any fees or charges, so that money is never a barrier to singing with us. We therefore do not generate any income from fees or subs from our members. Instead, we raise our income predominantly from:

- **Individual supporters** – including one-off donors and regular givers. This includes giving from parents and others who are willing to give regularly as a Friend of the choir to follow our story and support our work (see <https://steelcitychoristers.org.uk/donate/>), as well as those who give one off donations at our services and performances. The charity collects declarations and reclaims Gift Aid on giving from eligible donors.
- **Host organisations** – while we do not charge fees to the churches or other communities for whom we sing, some chose to make a donation to support our work
- **Charitable trusts and foundations** – we actively seek out funders who share our commitment to high quality musical education for children and young people and to making choral music more accessible.

From time to time, an opportunity may arise to deliver a ticketed concert that may generate an income, however this is not our main focus. We would also be interested to speak to any employers who share our values and would be willing to support us financially as sponsors.

### ***How we manage our finances***

Income and expenditure are budgeted annually by the Treasurer in partnership with the Finance and Governance Committee and a budget is signed off by the Trustees. A Financial Expenditure policy is in place to govern spending against agreed budget lines, including a process for managing any potential overspend. The Committee monitors expenditure throughout the year, maintaining a projection of expected total expenditure by year-end, and alerting the Trustees to the potential of any significant under or over spend. Annual accounts are signed off by the Trustees before being audited and submitted to the Charity Commission. The only assets of any significant value held by Steel City Choristers are the funds in our bank account.

### ***Why we need financial reserves***

Our ambition is to generate as stable an income as possible, particularly through regular giving from our Friends. However, even this income stream may decline without warning if people choose to end their giving for any reason.

A significant proportion of our income is dependent on the success of applications for grant funding. While we aim to develop long term relationships with grant funders who share our passion for musical education, each application is subject to factors outside of our control, such as the varying levels of funds available, and we cannot take success in competitive application processes for granted.

In line with the recommendation of the Charity Commission, the Trustees of Steel City Choristers therefore consider it prudent and necessary to hold a financial reserve. The purpose of our reserve is to:

- ensure financial and operational continuity in the event of a large or unexpected drop in income, including any periods in which we are unable to raise grant funding
- ensure we maintain a positive cash flow at all times
- enable the trustees to pursue projects or activities as specific opportunities arise.

### ***The level of reserves we need***

Since we have not identified any risks that could create a financial liability not covered by our insurance, our target level of reserves is defined in relation to a proportion of our annual core costs. The Trustees deem it prudent to aim to maintain a reserve equivalent to approximately six months' core costs. This will provide the resilience to continue operations over a time period in which significant efforts could be made to secure additional funding, should the need arise. The current level of reserves set by the Trustees is £20,000.

### ***What happens if reserves fall below the agreed level?***

If reserves fall close to or below £20,000, the Trustees could choose to either reduce planned expenditure, or intensify fundraising activities.

Fundraising activities could include a special appeal to Friends or additional applications for grants. However, funding applications can take a long time to process and there is no guarantee of a successful outcome. Trustees should therefore be alerted if the bank balance drops below £25,000.

### ***Reviewing this policy***

The trustees of Steel City Choristers will review this policy at least annually alongside setting the operational budget for the year ahead.